

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 74 - SB 737

March 30, 2021

SUMMARY OF ORIGINAL BILL: Deletes the requirement for the Achievement School District (ASD) to adopt an appropriate dress code for its professional employees.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (006306): Deletes all language after the enacting clause. Changes various processes and conditions for the transition of charter schools out of the ASD to the Tennessee Public Charter School Commission (Commission) and for the Commission to establish new charter agreements under certain circumstances. Requires applicable local education agencies (LEAs) to grant charter school operators, upon establishment of new charter agreements, the option to enter into a lease agreement or purchase buildings from the LEA at or below certain values.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$817,700/FY21-22 and Subsequent Years

Other Fiscal Impact – The Commission will experience an increase in revenue in future years realized as a result of charter authorizer fees assessed charter schools under the authority of the Commission. The extent and timing of such increase in revenue cannot reasonably be determined.

The Department of Education will shift \$500,000 of federal GEER Funding provided through the CRRSA Act to the Commission in each FY21-22 and FY22-23.

The net impact to local government revenue and expenditures associated with lease and purchase agreements of buildings is considered not significant.

Assumptions for the bill as amended:

- The ASD is an organizational unit of the Department of Education (DOE), established and administered by DOE for the purpose of providing oversight for the operation of schools assigned to or authorized by the ASD.
- Tennessee Code Annotated § 49-13-110 and § 49-1-614:
 - Initial charter agreements expire 10 academic years after the first day of instruction;
 - A school placed in the ASD remains in the ASD until the school is no longer identified as a priority school for two consecutive cycles; however, no school remains in the ASD for more than a 10-year period.
- As the operation of the ASD began in 2012, the expiration of some initial charter agreements will occur soon. The proposed legislation offers opportunities for an ASD-authorized charter school to continue providing services beyond the 10-year agreement and provides a framework for schools to exit the ASD.
- The Commission is the state-level, independent charter school authorizing body.
- The proposed legislation will expand the current functions of the Commission by authorizing ASD-authorized charter schools to be transferred to the Commission for the duration of initial charter agreements.
- The Commission will require five additional full-time positions to support the expansion as follows:
 - Three coordinators at a salary of \$70,000, for a total of \$265,119 [(\$70,000 salary + \$18,373 benefits) x 3 positions];
 - One director at a salary of \$85,000, for a total of \$105,865 (\$85,000 salary + \$20,865 benefits); and
 - One deputy director at a salary of \$120,000, for a total of \$146,678 (\$120,000 salary + \$26,678 benefits).
- The five additional positions within the Commission will result in a recurring increase in state expenditures of \$517,662 (\$265,119 + \$ 105,865 + \$146,678) in FY21-22 and subsequent years.
- The Commission will also require recurring additional funding to cover travel costs, increased office space, meetings, and equipment estimated at \$300,000.
- The total increase in state expenditures is estimated to be \$817,662 (\$517,662 + \$300,000) in FY21-22 and subsequent years.
- Based on information provided by the Commission, the Commission receives up to three percent of a charter school's state and local funds as an annual charter authorizer fee; however, this fee is not received by the Commission until the charter school is fully operational and receiving basic education program funds while under the authority of the Commission.
- Any increase in revenue to the Commission would be realized in future years and be dependent upon the number of charter schools coming under the authority of the Commission and the extent of funding such charter school received in any given fiscal year. The recurring increase in revenue to the Commission cannot reasonably be determined.
- Based on information provided by the Commission and DOE, DOE will allocate \$1,000,000 in federal Governor's Emergency Education Relief (GEER) funding,

established through the Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act, to the Commission; \$500,000 will be allocated in each FY21-22 and FY22-23.

- The proposed language establishes that if a new charter agreement is approved by the Commission, then an LEA is required to offer the charter school the following:
 - A lease agreement, at or below fair market rental value, to occupy the LEA's school building for at least three years; or
 - An offer to purchase the building from the LEA, at or below fair market value, less the value of capital repairs or improvements made to the school building by the charter school operator.
- A precise impact in local government revenue and expenditures cannot reasonably be determined due to multiple unknown factors such as the terms of any lease agreement, the terms for any purchase agreements, and the frequency of such agreements; however due the fact that such agreements are occurring between two public school entities, the net impact to local government is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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